

# **Can China move towards the UBI?**

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## **Abstract**

This paper presents the results of research on Dibao policy in China, targeted poverty alleviation policies and universal basic income. Considering that "China" is a term with multiple meanings, this paper aims to discuss P. R. China. The purpose of this paper is to clarify and study the theoretical relationship between the three policies and explore the feasibility of implementing UBI in China. Using literature review and case analysis methods, this paper analyzed articles of academic literature related to subsistence allowance policies (Dibao) and UBI, and collected data on targeted poverty alleviation policies from two local poverty-stricken county governments. First, this paper provides a review of the current research on Chinese subsistence allowance (Dibao) policy. Focusing on the poverty reduction effectiveness, existing issues, and the relationship with targeted poverty alleviation, we find that researchers have mixed evaluations of the effectiveness of Dibao. Moreover, there are indeed pressing issues within this policy that require urgent correction. From certain perspectives, targeted poverty alleviation can effectively address the problems present in Dibao. Studies have shown that combining targeted poverty alleviation with subsistence allowances can promote overall poverty reduction by addressing institutional deficiencies and improving resource allocation. Compared with the existing Dibao and targeted poverty alleviation policies, UBI has many advantages. As an emerging social policy concept, it provides new ideas and methods for Chinese society to solve social problems that have not yet been solved by existing policies.

## **Key words:**

Dibao policy, Targeted poverty alleviation, Universal basic income, common prosperity.

## **Part 1 Dibao effect evaluation**

### **1.1 Introduction of Dibao policy**

Dibao, short for the Minimum Livelihood Guarantee, refers to a social assistance system in which the state provides a minimum living guarantee to households whose per capita income is below the local minimum living standard and who meet the stipulated property conditions for families under the local minimum living standard (as per the Chinese government website). This system has been implemented since 2004. According to the "Notice on the Coordination of Basic Living Security for Laid-off Workers of State-Owned Enterprises and the Minimum Livelihood Guarantee System for Urban Residents" (Document No. 13, 1999) issued by the Ministry of Labor and Social Security, the Ministry of Civil Affairs, and the Ministry of Finance, laid-off workers, unemployed persons, enterprise retirees, and employed workers whose per capita household income is below the local minimum living standard during the period of receiving basic living allowances, unemployment insurance, pensions, or wages, can apply for urban Dibao allowances.

Dibao is known by various names abroad, including public housing (subsidized housing), food stamps, Medicaid, and Supplemental Security Income (SSI). Overall, the Dibao system is not only an important component of the national social security system but also a crucial means of maintaining social stability and promoting economic development. By continuously improving and optimizing the Dibao system, poverty can be effectively reduced, social equity and justice can be promoted, and thus, social harmony and development can be advanced.

In our review of the literature, we noted that many researchers use the Poverty Vulnerability Index (PVI) as an indicator. The PVI measures the risk of an individual or household falling into poverty over a certain period in the future. It not only considers the current poverty status but also assesses the impact of various potential risks and uncertainties on future poverty status, thereby providing a measure of poverty reduction effectiveness to some extent. Similar to the situation with poverty reduction effects, some studies indicate that the poverty vulnerability level of rural households in China is gradually decreasing, while other research findings show that the PVI of Dibao families increases after receiving rural Dibao assistance. This implies that the probability of these families falling into poverty in the future is rising, which is related to the "welfare dependency" phenomenon we mention later.

### **1.2 Rising and falling period**

#### **1.2.1 Rising period of Poverty reduction effects of Dibao**

In terms of poverty reduction effects("Setting aside regional differences."), first, it is not possible to generalize the effects of poverty reduction across China. Some

literature indicates that the Dibao policy still has a significant poverty reduction effect for some regions, while other literature says that the poverty reduction effect is not ideal for some other regions. Both conclusions are indeed supported by specific cases. In many regions, the Dibao policy has shown a noticeable effect on poverty reduction, and I will provide examples to illustrate this. Based on Beckerman's poverty reduction effect output model, the author Xie Dongmei, Su Baocai and Jiang Wei[1] estimated the size of the MLD (Mean Log Deviation, which is the expected value of the logarithm of the ratio of average income to individual income weighted by population share) index before and after the rural Dibao transfer payments (funds provided by higher-level governments to lower-level governments to support and ensure the implementation of the Dibao system) in Fujian Province from 2004 to 2010. She found that the MLD indices for these seven years were all lower than the corresponding indices without Dibao transfer payments.

What's more, the average poverty rate decomposition index before and after the minimum living allowance transfer payments was 2.1% and 1.5%, respectively. This indicates that with Dibao transfer payments, the overall welfare of low-income groups improved, indirectly reflecting the poverty reduction effect of Dibao relief resources. For example, regarding Shanxi Province, the author Jing Qian[2] constructed an econometric model and selected the Engel coefficient to reflect the poverty level from 2008-2018, controlling variables and using a regression equation to eventually derive the regression coefficient. The regression results indicate that the poverty level decreases with the increase in rural Dibao expenditure. For every 1% increase in rural Dibao expenditure, the poverty level decreases by 6.8%. This demonstrates that the rural Dibao system in Shanxi Province has ensured the basic livelihood of the poor and has a significant poverty reduction effect.

It's obvious that the implementation of the minimum living allowance during these periods was very effective.

### **1.2.2 Falling period of Poverty reduction effects of Dibao**

However, the effectiveness of poverty reduction gradually became less ideal over time. The author Zhu Liying[3] hypothesized that the Minimum Living Security System in Inner Mongolia would have a significant poverty reduction effect and established a Vector Autoregression (VAR) model to verify this. Using the poverty incidence rate in Inner Mongolia to measure the poverty level and taking the poverty rate as a proxy variable for the poverty level, she constructed the VAR model, conducted a stationarity test, and performed an impulse response analysis. Ultimately, she concluded that the poverty reduction effect in Inner Mongolia is not significant. In 2015 and 2016, the authors Song Yang and Yang Naiqi [4] conducted surveys in three regions—Henan, Beijing, and Shanxi—collected statistical data, and calculated the poverty reduction effect of the Dibao system in the sample areas based on the local Dibao standards (using poverty indicators: the number of poor and the poverty rate).

They concluded that the reduction in the poverty rate due to Dibao did not exceed 30%, indicating that the poverty reduction effect of the Dibao system is very limited.

*Table 1*

Research methods related to the poverty reduction effect of Dibao

Rising period

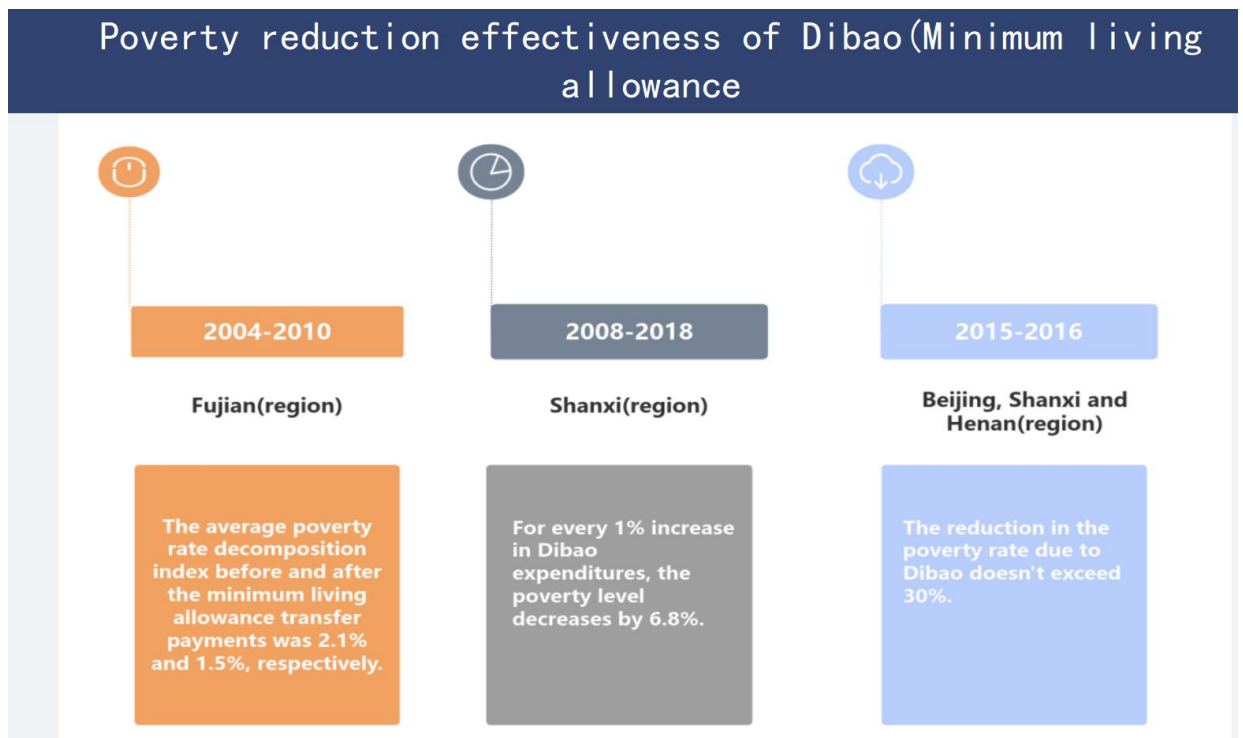
Falling period

Fujian: Beckerman Poverty Reduction  
Effect Output Model,  
MLD Index

NeiMenggu:  
Regression Equation,  
Impulse Response Analysis

Shanxi:  
Econometric Model, Engel  
Coefficient,  
Regression Equation

Henan, Beijing and Shanxi:  
Questionnaire survey



*Figure 1 Rising and falling period*

### 1.2.3 Regional difference

The poverty reduction effect varies by region: the effect is stronger in rural areas than in urban areas, and stronger in western regions than in eastern regions. In summary, the Dibao policy has a better poverty reduction effect in poorer areas, exhibiting a characteristic of "diminishing marginal returns". This is mainly because, compared to eastern regions, the central and western regions have a weaker economic foundation, lower levels of infrastructure and public service development, and narrower coverage of social security systems, resulting in greater development potential. What's more, regarding the Poverty Vulnerability Index, I have found that the poorer the household, the higher the Poverty Vulnerability Index, indicating a greater probability of falling into poverty in the future.

## 1.3 Main critics (Three types of traps)

Since the effectiveness of poverty reduction gradually became less ideal over time. In the existing literature, authors have summarized the current issues of the Dibao policy in China through field surveys, case studies, questionnaires, and interviews. These issues can be broadly categorized into the following aspects.

### 1.3.1 From Dibao recipients

First, from the perspective of Dibao recipients, welfare dependency and stigmatization of Dibao are prevalent. Welfare dependency refers to some families or individuals relying on social welfare and subsidies for a long time due to insufficient incentives or

an imperfect Dibao exit mechanism, lacking the motivation and ability for self-reliance, which is a significant reason for the suboptimal poverty reduction effect in some regions. Stigmatization of Dibao refers to the negative stereotypes and discrimination against Dibao recipients in society, viewing them as lazy, unmotivated, and dependent on government aid. This can lead to genuinely needy groups being unwilling to apply for assistance, thus not receiving the help they need, thereby reducing the overall poverty reduction effectiveness of Dibao.

### 1.3.2 From Dibao implementer

Second, from the perspective of those implementing the Dibao system, there are issues such as the insufficient capability and inadequate professional level of grassroots workers. Additionally, the dynamic management mechanism of grassroots teams is imperfect, failing to adjust and update the aid recipients promptly. These issues reduce the effectiveness of the Dibao policy implementation.

### 1.3.3 From policy itself

Third, the Dibao system itself has flaws, such as difficulties in reasonably adjusting Dibao standards, insufficient guidance value of the income recognition standards for Dibao families, and overly restrictive standards for asset recognition (assessment difficulties, asset liquidation, etc.). These flaws may trigger a chain reaction, leading to "income under-reporting, misreporting, and Dibao fraud" As a result, some genuinely poor families do not receive assistance, while some ineligible families obtain Dibao by concealing information, severely affecting the fairness and rationality of resource allocation.

#### Problems related to Dibao policy

Dibao receivers	Dibao implementers	Own weaknesses
Welfare dependency phenomenon, Stigmatization of Dibao policy	The professional competence of grassroots workers is not high enough, and the team dynamic management mechanism is not well-developed.	The Dibao standards are difficult to adjust reasonably(or the problem of excessive standard restriction), and it may lead to income underreporting and Dibao fraud.



Table 2

### 1.4 The transition from Dibao to targeted poverty alleviation

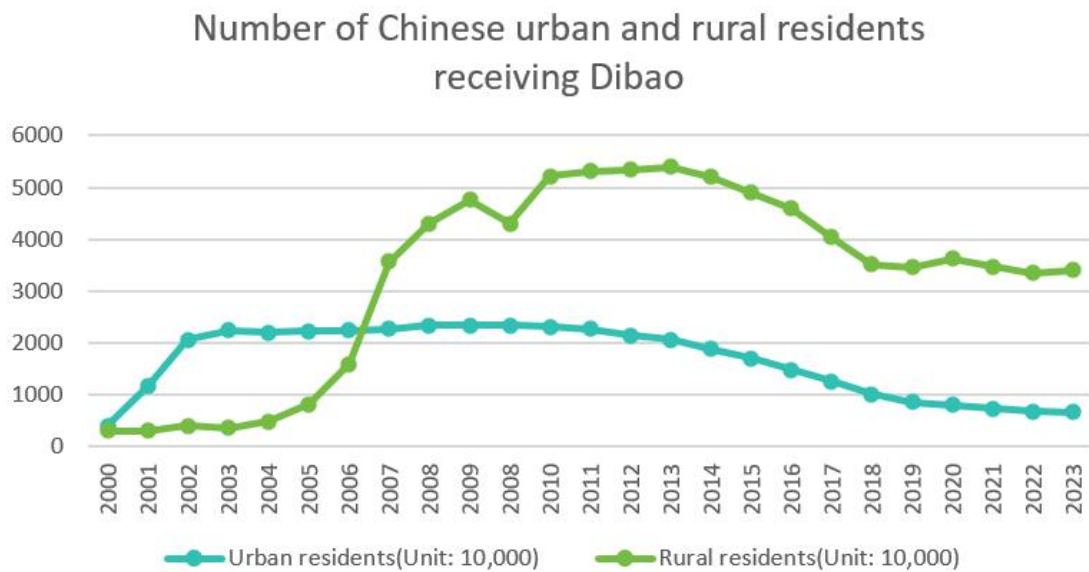


Figure 2 Data source: Official website of Civil Affairs Bureau

As seen from the diagram, the number of rural Dibao recipients generally showed an upward trend from 2000 to 2013, reaching its peak in 2013, and then began to decline. The number of urban Dibao recipients increased from 2000 to 2002, remained relatively stable from 2002 to 2011, and then began to decline. Before 2007, the number of urban Dibao recipients was higher than that of rural areas, but this trend reversed afterward.

The number of rural Dibao beneficiaries began to surpass urban beneficiaries around 2007 and peaked in 2013, prompting President Xi to implement targeted poverty alleviation policies.

The Dibao policy and targeted poverty alleviation are two complementary and mutually reinforcing policy tools, both aimed at reducing poverty and improving living standards. However, targeted poverty alleviation can effectively alleviate welfare dependency by increasing employment through measures such as employment training. Additionally, targeted poverty alleviation, through more detailed surveys and assessments, ensures that those who truly need help receive assistance, thereby reducing instances of resource misallocation. In other words,

targeted poverty alleviation can, to some extent, address the flaws inherent in the Dibao system.

## **Part 2 Targeted poverty alleviation**

### **2.1 Introduction and Reasons for precise poverty alleviation**

As the latest achievement of Marxist anti-poverty theory in China, Xi Jinping's strategy of precise poverty alleviation has attracted extensive attention and research from domestic and international academics in recent years. Precision poverty alleviation is a poverty alleviation strategy centred on precise identification, precise policy implementation, precise management and precise assessment, aiming to help the poor get out of poverty and achieve the goal of sustainable development through targeted and personalised measures. The concept was proposed by Chinese national leader Xi Jinping in 2013 and has since become one of the main strategies for poverty alleviation and development in China(Ma, 2023).

China's fight against poverty has been going on for nearly 70 years, and the main purpose of the implementation of precision poverty alleviation is to alleviate the island effect in the distribution of the poor and to eliminate the marginal diminishing effect of poverty resources, so as to eliminate absolute poverty in all its aspects and to achieve the elimination of poverty for all poor people(Guo, Zhou, and Liu, 2019). Challenges of Dibao in identification and implementation can leave out some poor people who are truly in need of help, or reach some who do not meet the criteria(Golan, Sicular, and Umapathi, 2015).

According to the national statistics of the number of beneficiaries of the minimum living allowance in Chinese Mainland(Figure 1), the number of beneficiaries of the minimum living allowance in rural and urban areas crossed during 2006-2007. As can be seen from the chart, the number of urban residents receiving the minimum living allowance grew steadily between 2000 and 2006, but after 2007 it tended to be stable, or even declined. On the other hand, the number of rural residents receiving subsistence allowances rapidly increased after 2004 and eventually surpassed urban residents around 2007.

The crossing points shown in the figure mark an important change: Since then, more people have received subsistence allowances in rural areas than in urban areas. This reflects the fact that rural poverty has become more prominent with the reduction of rural welfare and economic changes. The crossing point is a direct manifestation of rural poverty over urban poverty, which means that rural areas need more support than urban areas. In 2013, the number of rural residents receiving subsistence allowances reached its peak (53,80,200), indicating that the country's rural poverty

population has reached its peak. In 2013, the Chinese president Xi put forward a targeted poverty alleviation policy when the number of poor people remained high.

County A	Urban				Rural			
	Households	Number of people	Monthly standard (Yuan)	Accumulated outlay(ten thousand yuan)	Households	Number of people	Monthly standard (Yuan)	Accumulated outlay(ten thousand yuan)
2018.9	712	951	600	412.60	21758	23036	3900	4883.8
2019.1	736	984	650	37.01	21695	22990	4300	509.3
2019.2	752	1015	650	76	21676	22969	4300	1020
2019.3	752	1018	650	114	21688	23004	4300	1531
2020.9	753	994	650	331.5	30475	34926	4800	8307.01
2020.10	750	990	650	368.72	30293	34719	4800	9217.51
2020.11	747	986	650	405.82	30205	34627	4800	10129.06

Table 3

County B	Urban				Rural			
	Households	Number of people	Monthly standard (Yuan)	Accumulated outlay(ten thousand yuan)	Households	Number of people	Monthly standard (Yuan)	Accumulated outlay(ten thousand yuan)
2018.9	1432	2520	600	916.79	20782	26066	4200	5741.38
2019.1	1400	2451	650	88.213	20428	25459	4500	633.52
2019.2	1378	2418	650	175	20413	25430	4500	1266
2019.3	1359	2391	650	261	20285	25249	4500	1895
2020.9	1228	2002	650	658.69	26179	31949	4800	7314.9
2020.10	1225	1990	650	730.54	26123	31857	4800	8141.96
2020.11	1213	1971	650	801.74	26172	31908	4800	9030.13

Table 4

Data source: Official website of Civil Affairs Bureau

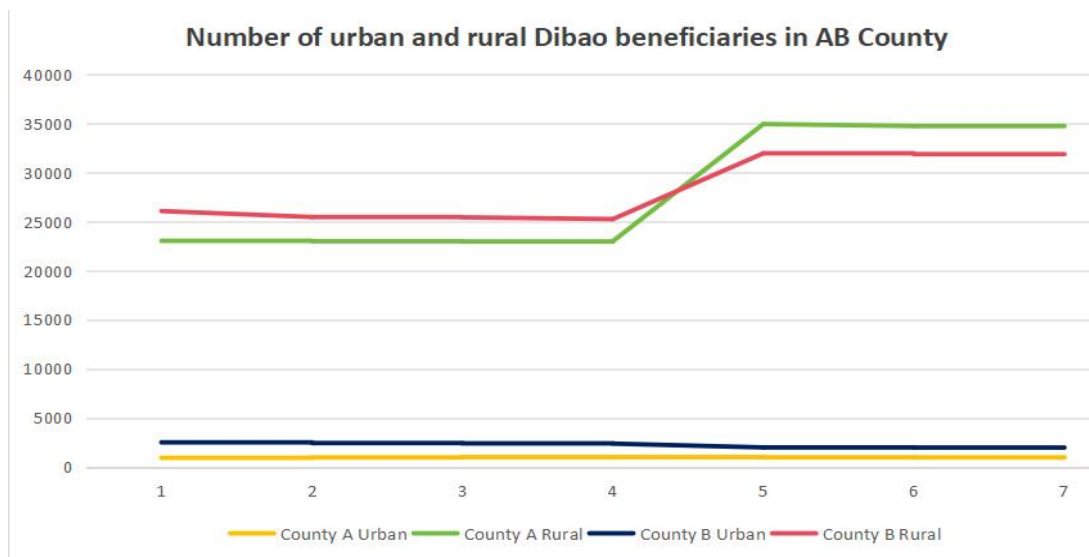


Figure 3

Data source: self-drawing

According to the data of the two counties of AB from 2018 to 2020, the number of people receiving subsistence allowances in rural areas is much larger than that in urban areas, and the number of rural beneficiaries is about 30 times that in urban areas.

That's an order of magnitude higher than the rural/urban multiples in the national data. This shows that the county is the main body of poverty, and the implementation of precise poverty alleviation policies is necessary.

In summary, the reasons for China's implementation of precision poverty alleviation are to comprehensively eliminate poverty, improve the efficiency of poverty alleviation, address imbalances in regional development, enhance the ability of the poor to develop themselves, consolidate social stability, and achieve the goal of a moderately prosperous society in all respects. Precision poverty alleviation and the Dibao are different in terms of objectives, measures, audiences and effects, but they complement each other in China's poverty reduction strategy, working together to promote poverty eradication among the poor and sustainable social development.

## 2.2 Targeted poverty alleviation is the expansion of Dibao

Precision poverty alleviation has more projects than Dibao, and the projects show a diversified trend. At the same time, the number of beneficiaries of precision poverty alleviation is also more, reflecting the expansion of Dibao policy.

A comparison of targeted poverty alleviation policies between County AB in 2020		
County A		
Projects	Amount of money(yuan)	Number of people
Infrastructure construction	632.21 million	16,700
Industrial development	44,713,555,200,000 million	8743
Livelihood protection	294,7252 million	33844
Epidemic prevention and control and poverty eradication	590 million	422(poor workers)
County B		
Industrial development	500 million	91% of households
Education Poverty Alleviation Programme	18,016 million	12914
Housing security	613.485 million	319 households
Outside work and stable employment for poor labourers:	3.436 million	7515 (1310 working poor)
Microcredit for poverty alleviation	About 22,248 million	743 households
Implementation of bottom-up protection	99.44 million	176554

Table 5

### County A, 2020

The remaining 566 households and 1,168 poor people in the county have met the criteria for poverty eradication and are implementing poverty exit in strict accordance with the criteria and procedures

**1. Infrastructure construction:** Building roads, Bridges, water conservancy facilities, power supply, etc., to improve transportation and living conditions in poor areas.

(1) Transportation aspect: In 2020, county A invested 610 million yuan to build 419 kilometers of rural roads and 24 Bridges, and support all the poor objects to benefit from the establishment of documents

(2) Water conservancy: In 2020, more than 22.21 million yuan was invested to support 54 administrative villages to consolidate and improve drinking water safety projects, benefiting 16,700 people

**2. Industrial development:** Support the development of local industries such as agriculture and aquaculture, and help poor families increase their incomes by providing technical training, seeds and tools

(1) Agricultural industry: In 2020, the integration of funds to invest 262 million yuan in the implementation of the agricultural industry to alleviate poverty, the implementation of 17 agricultural industrialisation projects, the development of planting 1.72 million acres.

(2) In 2020, ecological forestry will be implemented to alleviate poverty, and 116 million yuan will be invested in implementing ecological poverty alleviation projects in poor villages with established records.

(3) In 2020, the implementation of photovoltaic poverty alleviation, the investment of photovoltaic income funds 44,335,552,000 yuan, the establishment of "secondary distribution" public welfare positions 8,285, driving the poor population of 8,285 people, the average monthly wage of 300 yuan.

(4) Rural tourism for poverty alleviation: Vanguard Inn joined 48 farmers, driving 61 poor households to increase income of more than 380,000 yuan; organised 14 training courses on rural tourism, with a cumulative total of 397 rural tourism practitioners trained; through cultural performances, special catering and other ways to achieve the reception of 150,000 tourists, tourism revenue of 1 million yuan.

**3. Livelihood protection:** mainly in education, medical care and housing. Build and improve school facilities, improve the quality of education, and ensure that children from poor families can receive good education. Build hospitals and clinics, provide basic medical equipment and drugs, train medical personnel, and improve the medical level and sanitary conditions in poor areas. Ensure housing safety and optimize living conditions.

(1) Educational support: More than \$28 million in funding for education programs was implemented in 2020.

(2) Low-income insurance (Dibao): at present, there are 30,475 rural low-income insurance recipients in the county, or 34,926, with a coverage rate of 8.3 per cent, and 83,070,100 yuan in rural low-income insurance payments; there are a total of 3,369 recipients of special-needs support payments, and 15,655,200 yuan in special-needs support payments have been issued.

**4. Epidemic prevention and control and poverty eradication:** The county arranged a total of 590 million yuan in funding to implement 50 poverty alleviation

projects, promoting industrial development and the resumption of work and production in poverty alleviation workshops, 422 poor workers were absorbed.

## **County B, 2020**

The remaining poverty-stricken population of 457 households in the county, comprising 1,007 persons, has all met the criteria for poverty eradication, and poverty eradication is being implemented in strict accordance with standards and procedures

**1. Industrial development :** County B consolidates and enhances 10 traditional industries such as beef cattle, mixed grains and Chinese herbs, and actively develops new industries such as photovoltaic and e-commerce. It has invested 500 million yuan in industrial poverty alleviation funds and achieved full coverage of industrial initiatives for households with established records, the double repeat coverage rate reached 91%.

**2. Education Poverty Alleviation Programme:** A total of 18,016 million yuan was used to subsidise students from difficult families (high school and university students), in 2020, 797 students will receive financial assistance for preschool education, and 12,117 students from poor families

**3. Housing security:** Helping poor households to renovate and upgrade their housing construction, with a total of 319 households renovated and upgraded and 6,134,850,000 yuan in subsidies allocated

### **4. Outside work and stable employment for poor labourers:**

(1) Labor skills training: County B provides skills training for poor labourers in carpentry, masonry, electrician, welder, Chinese cook, Chinese pastry, agricultural technician, hand weaving, baby sitter and caregiver categories. 2.502 million yuan was distributed in subsidies for poverty-alleviating special posts in the humanities and social services; 86,000 yuan in subsidies for enterprise absorption; 15,000 yuan in one-time business start-up subsidies; and 384,000 yuan in subsidies for training impoverished labourers. Online training was carried out during the epidemic, and 1,772 people were trained, including 492 poor workers. 1,611 people were trained in offline skills, including 502 from poor households. Entrepreneurship training and entrepreneurship education 3,383 people.

(2) Supporting the development of pro-poor workshops, giving pro-poor workshops a subsidy of 400,000 yuan, and granting pro-poor workshops a subsidy of 49,000 yuan for absorbing poor labour. It absorbed 316 poor workers, training was organized for 433 business leaders.

### **5. Microcredit for poverty alleviation:**

(1) Disbursement of pro-poor microcredit: The incremental amount of microcredit for poverty alleviation in 2020 is 22,114,999,000 yuan for 493 households, and the annual incremental task of 39.01 million yuan is expected to be completed by the end of December. In 2020, 250 loans of 11.234 million yuan were renewed for eligible poor households.

(2) Implementation of pro-poor microcredit policies: Poverty alleviation microcredit 2020 interest rate subsidy of \$754,000.

(3) Effective risk mitigation in response to outbreaks: In 2020, 96 households of poverty-alleviating microcredit in County B repaid \$4,077,500 and 250 households renewed their loans at \$11,234,000, with no overdue loans.

## **6. Implementation of bottom-up protection**

(1) By the end of September, there were 31,949 rural low-income insurance recipients in the county. From January to September 2020, 73.74 million yuan was disbursed, with a total of up to 162,000 people receiving assistance.

(2) The use of nursing institutions to provide care and protection for 419 persons. 17.59 million yuan will be paid out in 2020 for decentralised special hardship support and care and nursing subsidies.

(3) Support for persons with disabilities: As at the end of September, 10,343 people in the county were entitled to living subsidies for persons with disabilities in difficulty; 3,792 were entitled to care subsidies for persons with severe disabilities. 8.11 million yuan was disbursed from January to September 2020.

Successful implementation of precision poverty alleviation has been observed in counties like A and B, where infrastructure development, industrial support, and social services have significantly improved living conditions. At present, poverty alleviation has been effectively completed. However, challenges remain in ensuring comprehensive coverage and avoiding resource distribution inequalities. The integration of rural revitalization strategies and continuous monitoring is essential to prevent a return to poverty.

## **2.3 Sustainability of the existing system of targeted poverty alleviation**

Since the completion of the targeted poverty reduction campaign in 2020, China has entered a new stage of comprehensively implementing the rural revitalization strategy. This transition marks a strategic shift from addressing the "poverty issue" to comprehensively driving rural development(Wang, X. and Zhao, P., 2021). To prevent poverty from returning, the following measures have been adopted:

1. Dynamic monitoring and emergency relief: Monitor the living conditions of the poverty alleviation population in real time through big data and grassroots visits,

establish an emergency relief mechanism, and provide timely assistance to families at risk of returning to poverty.

2. Industry and employment support: Develop specialty agriculture, rural tourism, etc., to increase income sources, and enhance employment capabilities through vocational training.

3. Financial and social security: Provide financial support, implement insurance policies, and improve public services such as medical care and pension to reduce the risk of returning to poverty.

4. Transitional period and policy linkage: Establish a 5-year transition period to ensure a smooth transition from poverty alleviation policies to rural revitalization policies and consolidate the achievements of poverty alleviation(Liu, Z and Yang, Y.)

## **Part 3 The theoretical basis of implementing UBI in China.**

### **Foreword**

In today's society, there are increasing concerns about social equity and welfare systems. As an emerging concept and policy proposal, "universal basic Income" (UBI) has attracted the attention of Chinese scholars as the concept of social security. Related research includes theoretical conception, practical exploration and debate.

### **3.1 Status of case studies of Chinese scholars**

At present, Chinese scholars have given stage goals for UBI in the discussion of the connotation of common prosperity, but there is a lack of specific indicators and realization paths at the individual, family and community levels, and there is not a good answer to the embodiment of the spiritual and cultural level. Most of the studies remain at the level of self-interpretation and discussion, with few comparative studies with other countries, and a lack of reference for beneficial practices and theories in other countries.

#### **3.1.1 Foreign practice cases**

Chinese scholars have studied several representative practice cases around the world: Families' grants in Brazil, The Permanent Fund Dividend System in Alaska, USA , Basic income trial in Finland.

#### **3.1.2 Current theoretical debate among Chinese scholars:**

Controversial views on universal basic income



- **Opposition:** China may face some challenges in implementing the universal basic income policy.

Opponents argue that the state has no financial resources to implement, will support lazy people for nothing, destroy welfare policies, work hard, "no one worries. For example, how to determine the appropriate sources of funding and financing methods to ensure the sustainability of the policy; how to balance the national basic income with the existing social security system, and how to avoid duplication and conflict; how to guide people to treat this income correctly, and how to encourage active participation in labor and innovation. Implementation of basic income plans may lead to tax problems, such as keeping the existing tax structure unchanged, which may increase inequality; raising tax rates may cause a greater burden on the middle class, leading to new poverty groups. In addition, basic income schemes could lead to higher voluntary unemployment, affecting Labour supply and economic growth. At the same time, the implementation of the program faces the huge challenge of funding sources, and funding constraints are the biggest obstacle to its implementation.

- **Advocate** the view: the potential significance of the national basic income in China

(1) Potential significance: The national basic income plan can improve the quality of life of low-income people, guarantee its basic needs, and enhance their negotiation ability in the market competition, which is an effective measure to achieve distribution justice. More importantly, it can effectively guarantee the basic needs of all strata of the society, give people more job choices, and allow all members of society to share in the benefits of economic growth in a practical way. These characteristics are very consistent with the communist society described by Marx, and provide a possible path for realizing communism in China.

(2) The original intention of the basic income system is to eliminate inequality and promote social equity. It can avoid stigma and humiliation, guarantee career choice, enhance job enthusiasm, stimulate consumption, promote economic growth, improve working conditions, optimize the labor employment environment, reduce administrative costs, and adapt to the new changes in social security.

## **3.2 The relevance to China's communist path and the goal of common prosperity**

### **3.2.1 The basic income of the whole people and the communist society**

#### **The coincidence of the national basic income and the communist society**

(1) **Let each person do his best:** from each according to his ability : In the communist society described by Marx, people will actively participate in labor and "each does his best". To achieve this goal, we need to solve the problem of "exploitation" and "alienation" under the capitalist mode of production. The basic income of the whole people helps to alleviate exploitation, enhance the negotiating

ability of ordinary workers, provide alternatives, maintain the fairness of labor relations, and alleviate the "overtime culture". Although exploitation cannot be completely eliminated, it can be alleviated to a large extent. In this sense, the basic income of the whole people is a necessary condition for people to "do their best" and an effective way to promote the all-round development of all people.

(2) **Mitigating exploitation:** Marx believed that capitalists' free possession of the surplus value of workers led to exploitation. Under the capitalist mode of production, the capitalists possess the means of production, while the laborers have nothing and have to work for the capitalists. Universal basic income will enhance the negotiating power of ordinary workers, providing alternatives, such as finding jobs by themselves, improving skills for more paid jobs, and taking a period of time. This will effectively maintain the fairness of negotiations in labor-management relations and alleviate the stubborn problems such as "overtime culture". Although the national basic income cannot completely eliminate exploitation, it can alleviate this problem to a large extent.

(3) **Eliminate alienated labor:** Marx criticized the "alienated labor" in the capitalist society, believing that in this kind of labor, people cannot show their own free personality, and labor becomes a burden. The national basic income will ensure that the basic needs of all people are met, liberate people from alienated labor, and help them to fully develop their abilities and realize independent freedom. With the support of the basic income of the whole people, people will gain greater autonomy in labor, more inclined to active and creative labor, which is conducive to the development of people's ability and all-round development.

(4) **Distribution according to demand:** One of the important characteristics of the communist society is "distribution according to demand", that is, allocating social resources according to people's needs. Although the current society has not yet achieved great material enrichment, the basic income of the whole people can be distributed in a small range to a certain extent to guarantee the material products of people's basic life. For example, the distribution of necessities such as medicine, clean drinking water, food and clothing should not be entirely dominated by market principles. In a fully market-based society, some people may not have access to basic necessities, while others live in luxury, a consequence of polarization. The universal basic income plan is committed to meeting the basic living needs of all people with unconditional income, and is an important way of social distribution.

(5) **Realization of Communism:** The most important feature of a communist society is the realization of "communism", that is, the common ownership of the means of production. Through the separation of ownership and use right, we can accept the property right structure of "public and private use", so that the means of production can be jointly owned by all owners, and each person can use them without permission. For example, the Hill Steiner has conceived of the "Global Fund", which enables equal sharing of resources through the assessment and redistribution of global natural resources. A successful story is the dividend of the Alaska Permanent Fund, which provides annual income to residents based on oil field gains. Paris advocates the benefit of all with the value of natural resources. The basic income is a feasible way

to achieve "communism", allowing all to share in the dividends of economic growth.

### **3.3 The issuance of government consumption vouchers during the COVID-19 period.**

Under the impact of large-scale social crisis, neither social insurance nor social assistance are enough to deal with the basic needs of large-scale unemployment and marginal groups in a short time. Therefore, in the face of a large-scale social crisis such as COVID-19, China needs to explore new ideas of income protection and provide livelihood protection for the income-impaired groups.

#### **3.3.1 The influence factor of the government consumption voucher to leverage the consumption**

(1) **Direct consumption:** including the amount design of tickets, specific verification, form of delivery, merchant list, etc., and the ability of payment platform also have an impact. In addition, the capacity building of payment platforms, holidays, epidemic prevention and control policies and other factors will have an impact on the leverage ratio of consumption coupons.

(2) **Indirect consumption:** When users consume in physical stores and cancel the tickets, they may make additional expenditures in offline scenes. The enrichment and improvement of consumption scenes is conducive to improving the indirect consumption level of residents, and thus increasing the leverage ratio of consumption vouchers.

(3) **Extrudout effect:** If the scope of consumption coupons is daily necessities and belongs to the original expenditure category of users, the consumption coupons are regarded as the increase of user's income, the amount is equivalent to the discount amount, and the ability to leverage additional consumption becomes weaker.

#### **3.3.2 Distribution in mainland China**

Cash subsidy plan: the social security model of long-term implementation of "combining national unified decision-making with hierarchical management", and the social policies have local characteristics. Local governments have issued cash subsidies, mostly in the form of electronic consumer vouchers. For example, the Hangzhou city government through alitreaure platform launched 1.68 billion yuan of electronic consumption voucher plan, 15 million yuan for poor people consumption subsidies (covering the city in March 2020 about 140000 registered minimum life guarantee object, minimum life guarantee edge object, poor support personnel, 100 yuan per person, directly in the form of cash).

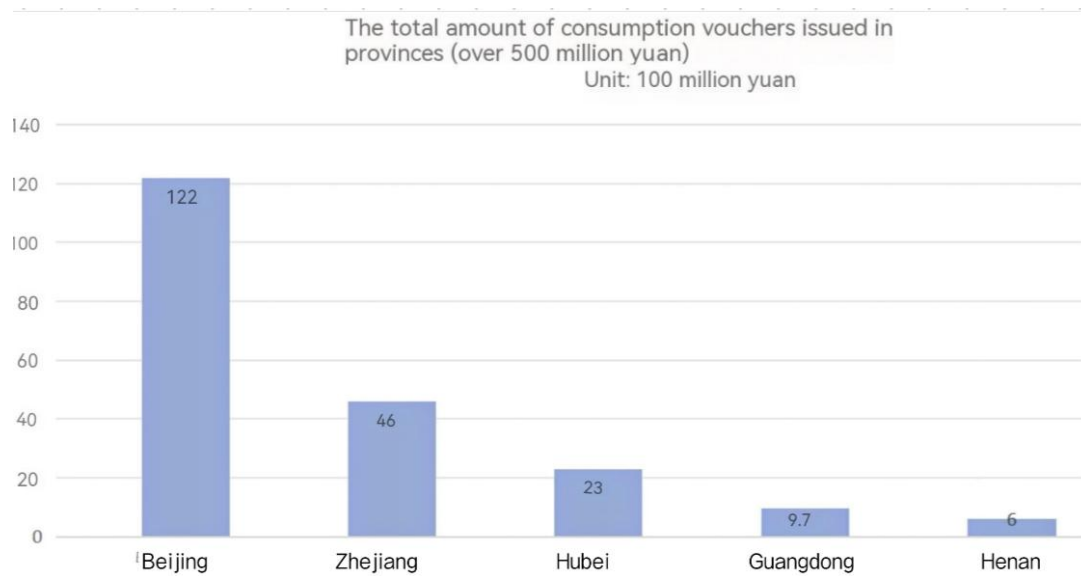


Figure 5

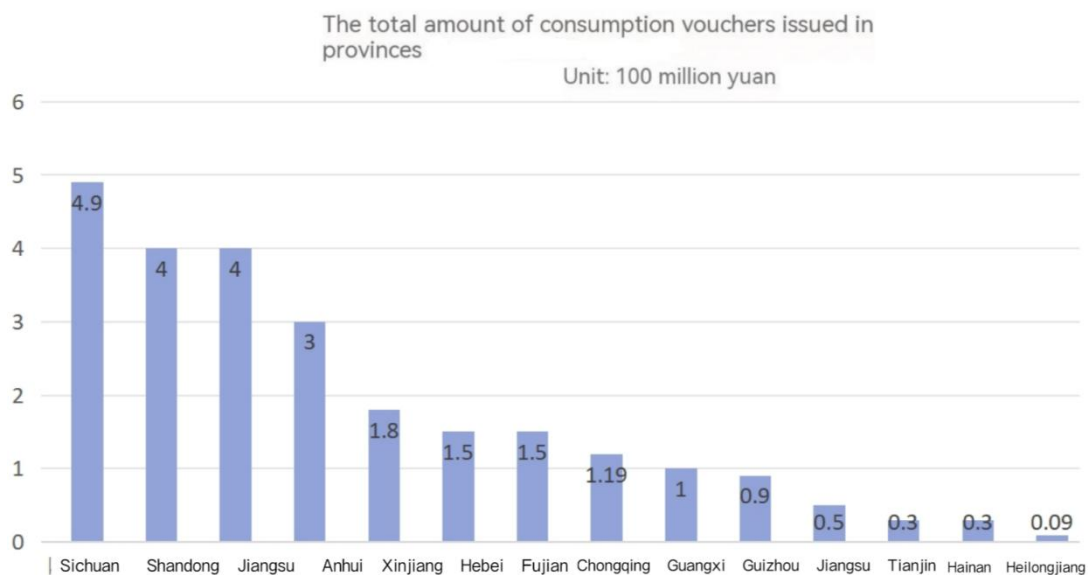


Figure 5

Source: Data analysis and collation by the authors of the references(Li Xiang, Wang Pingfan, Chen Zhuo. ) . As of May, 2020.

### 3.3.3 Problems existing in the implementation of consumption vouchers

- (1) **High threshold for receiving and use:** the industries supported by consumer vouchers mismatch with the decentralized and personalized consumer needs of residents, which easily leads to resource waste.
- (2) **Single distribution channel:** Local governments lack open bidding procedures when choosing distribution platforms and cooperative merchants, which makes it difficult to meet the diversified needs of consumers.
- (3) **No long-term effect:** Consumption vouchers are short-term economic stimulus measures, which cannot provide lasting impetus for subsequent consumption expansion, can only increase residents' purchasing power at one time, and cannot change people's expectations of future income.

### **Differences compare with UBI:**

Under the impact of the epidemic, the consumption voucher plan in mainland China is a new exploration to make up for the lack of traditional income protection means. It is characterized by the concept of basic income for the whole people. It is a gradual attempt to build a basic income system for the whole people, however, it is influenced by various factors and the typical basic income. The "acute response" characteristics are obvious.

### **3.3.4 Short conclusion**

The e-consumption voucher plan under the impact of large-scale social crisis provides a new policy window for the discussion of the national basic income plan, for some inclusive cash subsidies for the middle and low income groups, but the distribution of a reasonable and effective targeting mechanism, the lack of projects for the middle and low income groups, leading to social inequality. At the same time, the future adjustment of China's social policies needs to improve the targeting accuracy in the poverty identification system, or continue to explore the coordination between the individual income tax system and economic policies, so as to improve the situation of the middle and low income groups and lay a foundation for the communist welfare society.

## **Part 4 Feasibility analysis of UBI in China**

### **4.1 Plan about share out bonus**

The dividend plan design and practical approach proposed by Cui Zhiyuan are systematic and innovative, mainly covering the following aspects:

#### **4.1.1 Plan Design:**

Cui Zhiyuan initially envisioned establishing the "China People's Permanent Trust Fund" with 50% of the profits of central state-owned enterprises as the principal. However, in light of policy changes and actual circumstances, he adjusted the plan accordingly. In the new proposal, if 50% of the submitted profits is still used as the principal of the "China People's Permanent Trust Fund" and based on the lower limit of submitted profits of 50 billion yuan in 2007, the principal of the "permanent trust fund" in the first year would be 25 billion yuan. Assuming a 10% return on the "permanent trust fund" in the market, a revenue of 2.5 billion yuan could be obtained by the end of the first year. Given that this revenue is relatively small compared to China's huge population, he suggested distributing "social dividends" to newborn babies first. As time goes by, the principal continues to increase, and the revenue also grows, allowing the distribution scope to gradually expand to more newborn babies and those born in the previous year. If the revenue is deposited in the "capital account" and leveraging the compound interest effect, it will accumulate into a

considerable amount by the time they reach 18 years old, which can be used for university education or other beneficial endeavors.

#### **4.1.2 Practical Approach:**

Cui Zhiyuan's practical approach mainly focuses on ensuring the stable growth and reasonable distribution of the fund. On one hand, he pays attention to the profit submission of central state-owned enterprises, expecting that with the improvement of their efficiency, the submitted profits can increase, thereby injecting more principal into the "China People's Permanent Trust Fund". On the other hand, he advocates learning from successful experiences and practices at home and abroad, such as the Alaska Permanent Fund and the "Children's Trust Fund" in the UK, to optimize China's social dividend model.

#### **4.1.3 Sources of Funds:**

- (1) **Profits of Central State-Owned Enterprises:** This is one of the important sources of funds for the "China People's Permanent Trust Fund". According to the prescribed ratios for different industries, central state-owned enterprises submit a portion of their profits to the central finance, and a part of it can be used as the principal of the fund.
- (2) **Profits of Central Financial Enterprises:** Cui Zhiyuan believes that if a portion of the profits of central financial enterprises can be injected into the fund, it will further enrich the fund size.
- (3) **Auction Revenue of State-Owned Land Use Rights:** The auction proceeds of state-owned land use rights can also serve as a supplementary source of funds for the fund.
- (4) **Auction Revenue of Emission Allowance Quotas:** When China implements the "Emission Allowance Trading", by drawing on the proposal of the US "Sky Trust Fund", a primary market for emission allowance trading is established. The revenue obtained from the auction of emission allowance quotas is included in the "Sky Trust Fund" and used for social dividends.

#### **4.1.4 Short conclusion,**

The share out bonus plan design and practical approach of Cui Zhiyuan aim to provide more equitable and sustainable welfare for all citizens through the rational utilization of public resources and assets, embodying the socialist spirit in the socialist market economy and contributing to improving the economic composition of China's citizen rights system.

## **4.2 The idea of the future starting point of income**

### **4.2.1 Concepts:**

- **The relationship between the source of wealth and people:** The source of wealth is contained in people's labor, creation and consumption, and the importance of people is increasingly reflected in innovation and consumption.
- **Demographic factors and the relationship between the elite:** The elite plays a key role, while the public is the foundation of the elite, and China should provide young people with fair opportunities to compete and explore potential geniuses.
- **Equity of opportunity and competition:** Emphasizing equality of opportunity rather than results to promote and maintain healthy competition.
- **The role of government and market:** an effective and prosperous market is inseparable from the expansion of competent government and local currency debt. The Treasury bonds issued by big countries are the foundation of the global monetary system.
- **Tradable and non-tradable goods:** Treat tradable goods as wealth, the operation of the non-tradable goods sector is the redistribution of wealth, and the means of redistribution should be expanded to deal with the relationship between efficiency and fairness.

#### 4.2.2 Scheme design:

Calculation of three future starting point income distribution schemes

Method	Year	Number of recipients aged 0-35 (billion)	0-35 years old per person per month (yuan)	One-time payment for people over 35 years old (10,000 yuan)	Total disbursement of starting income /GDP (%)	Annual new debt (trillion yuan)	China Domestic demand/US domestic demand (%)
Method 1	2025	6	269.87	5	1.93	2.21	48.04
	2030	5.37	569.89		2.12	3.51	49.35
	2035	4.82	935.79		2.01	4.81	52.37
Method 2	2025	6	125.8	5	0.59	0.68	47.1
	2030	5.37	1063.05		3.56	5.89	50
	2035	4.82	3423.79		6.52	15.59	68.86
Method 3	2025	6	183.4	5	1.52	1.74	53.74
	2030	5.37	2965.5		9.11	15.09	65.2
	2035	4.82	9041.4		16.7	39.94	122.16

Source: The author estimates by himself (Xiao han) based on data from Wind database, World Bank, State Administration of Foreign Exchange, National Bureau of Statistics and other sources.

- **Distribution objects and methods:** The central government will regularly distribute funds to Chinese citizens aged 0-35, and adults over 35 will receive one-time education or skill training subsidies. The funds will be distributed in digital currency or electronic form.
- **Adjustment of fund amount:** the amount of funds for children aged 0-18 is relatively fixed and only increases, young people aged 18-35 are dynamically adjusted according to employment, inflation, balance of payments and fertility rate, and adults over 35 receive it at one time.
- **Source of funds:** mainly with the central government's expansion of yuan-denominated government bonds, supplemented by tax increases.

### 4.2.3 Comparative analysis and merit induction:

**(1) Comparison with other programs:** comparison with universal basic income and existing practices of similar basic income, such as Alaska "social dividend", Finnish basic income randomized experiment, Macao cash sharing plan, China, and relief programs in some countries since the outbreak, etc.

**(2) Advantages:** pay attention to the fairness of opportunities, the main source of funds is national debt financing and has economic sustainability and realistic feasibility, the starting income amount can be dynamically adjusted to avoid related problems, distribute funds to reduce governance costs and improve regulatory efficiency, and provide targeted support for education and training to improve the quality and efficiency of labor force.

### 4.2.4 Financial feasibility analysis:

- **Method 1:** Focus on the stability of inflation, assuming that the total income distribution in 2025 is equal to the trade surplus of the year, then increases year by year, and the trade structure becomes deficit by 2035. This plan is the most conservative and will not lead to obvious inflationary pressure.

- **Method 2:** Focusing on keeping the level of social expenditure in line With industrialized countries, the proportion of China's social expenditure in GDP will rise to the overall level of OECD countries in 2019 by 2035, and 50% of the increase will be used to distribute future starting income.

- **Method 3:** Focusing on the central government debt ratio in line with the average level of OECD countries, by 2035, China's general government debt ratio will rise to the overall level of OECD countries, and 30% of the debt increase will be used to distribute starting income.

**Short conclusion:** All three options can provide young people with considerable starting income, affordable public debt, and are financially feasible and sustainable.

### 4.2.5 Equity analysis:

**(1) Starting equity:** Providing basic income for young people helps to achieve starting equity, compensate for unequal development opportunities caused by family environment, and promote social equity and long-term competitiveness.

**(2) Consistent with the communist idea:** consistent with the Marxist vision of the communist society, and the implementation of on-demand distribution to a certain extent.

**(3) Eliminate market drawbacks:** it helps to eliminate exploitation and alienated labor, enhance the bargaining power of workers, provide them with alternatives, and help young people to liberate themselves from alienated labor and realize autonomy and freedom.



#### 4.2.6 The significance of the future starting point income plan

**(1) Maintaining fairness and promoting sharing:** avoid the intergenerational transmission of inequality, ensure that "children from poor families" participate in competition, encourage innovation, maintain China's competitiveness in the field of high-end science and technology, and promote high-quality economic development. The future starting income is an important way to achieve common prosperity with both fairness and efficiency. The main reasons are as follows: First, the future starting income is conducive to maintaining fairness and promoting the sharing of social wealth. Future starting point income scheme to avoid the parents of the income and wealth of unfair transfer for children in education, housing and other resources of unfair opportunities, try to avoid unequal intergenerational transmission, enable them to fully participate in social competition, to encourage innovation, ensure that China to maintain long-term competitiveness in the field of high-end technology, and promote economic development of high quality.

**(2) Guarantee efficiency and guide competition:** Compared with the social expenditure of European countries, the starting income in the future retains the capital choice and market competition mechanism for young people, and advocates efficiency and survival of the fittest.

**(3) Coordinated development and transformation:** for all the young citizens provide equal starting point income, balance area and urban and rural income gap, keep young people, cultivate human resources, have the future starting point income is beneficial to expand the scale of middle-income groups, solve the problem of the domestic consumer market growth is slowing, and accelerate the pyramid social structure to the transformation of olive social structure. The future starting point income plan can immediately increase the disposable income of young people. Due to the high marginal propensity to consume of young people, the rise in their disposable income will effectively expand the scale of domestic consumption, thus enabling China's strong production and manufacturing capacity to effectively serve the living standards of its residents.

### 4.3 Transition mechanism-a negative income tax

#### Negative income tax serves as a transitional system design:

**4.3.1 Theoretical basis:** The basic idea of negative income tax originated from the economic literature of Go's, which was proposed by Ayre, and further interpreted and improved by Milton Friedman and Tobin. Negative income tax is a form of transfer payment in national fiscal expenditure, which collects taxes to high-income families and transfer payment to low-income families.

**4.3.2 System design:** The calculation formula of negative income tax is  $T = AtW$  ( $T > 0$ ), in which  $T$  is negative income tax,  $t$  is negative income tax rate, and  $W$  is personal

income. Disposable income after a negative income tax,  $Y = W + T$ . For example, setting minimum living allowances and relative poverty standards, as well as different income tax rates, can calculate disposable income and subsidies at different income levels.

**4.3.3 Practical significance:** The negative income tax system can "more effectively achieve the effect of" poverty eradication ", promote active employment, and make the welfare system more humanized and efficient. It abandons the disadvantages of the distribution of social assistance funds, realizes the differentiated subsidies for low-income groups, encourages the enthusiasm of employment, and improves the transparency of social welfare and the social benefits of funds. From the perspective of practical effect, the negative income tax system is conducive to the integration of the tax system and the social welfare system, saves the management cost, and realizes the fair ratio of financial fund sources.

## 4.4 Feasibility analysis of the Chinese government with the food poverty line in UBI implemented

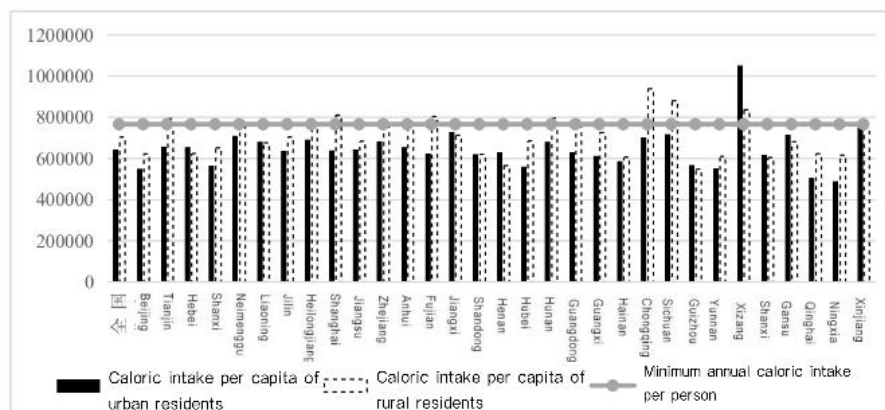
### 4.4.1 Concept introduction

The definition of the food poverty line for UBI requires considering the differences of individual citizens in different regions and ages in practice, so as to flexibly reduce the policy cost and increase the practical operability.

The distribution standard is usually based on the poverty line, and the poverty line mainly includes subjective poverty line, relative poverty line and absolute poverty line. The Martin method adopted in this paper belongs to the absolute poverty line, including food poverty line and comprehensive poverty line, which can fully meet the requirements of the distribution standard.

### 4.4.2 Calculation method

#### (1) Poverty line



Caloric intake per capita of national, provincial, municipal and rural residents in 2018 (kilocalories)

Figure 6

- Food poverty line: The monetary cost of food necessary to survive by converting the food consumption data to caloric values to reach the minimum calorie intake value per person per year.
- Comprehensive poverty line: combining the basic food needs and non-food needs, and calculating when the total household per capita expenditure is equal to the food poverty line and the household per capita food expenditure is equal to the food poverty line, and the average of the upper and lower limits is taken as the comprehensive poverty line.

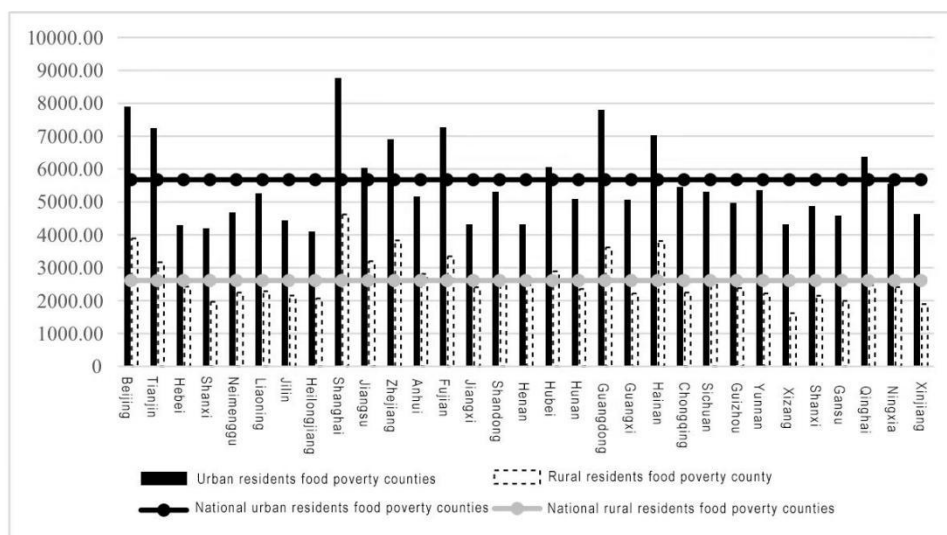
**(2) National basic income cost and government financial capacity:**

- Method 1: Unified cash subsidies will be given to all citizens without considering the differences in regional and age structure.
- Method 2: Considering regional and age structure differences, the cash subsidy for minors aged 0-14 and 15-19 is 40% and 66.7% of adults.
- Method 3: Consider regional differences and only grant cash subsidies to workers aged 20-64.

The implementation of national basic income needs to maintain tax neutral, and raise funds through replacing existing social security projects, economic growth, tax adjustment and other channels, rather than imposing additional taxes.

**4.3.3 Empirical analysis of the national basic income cost and financial capacity:**

- Scenario 1: Based on the food poverty line:



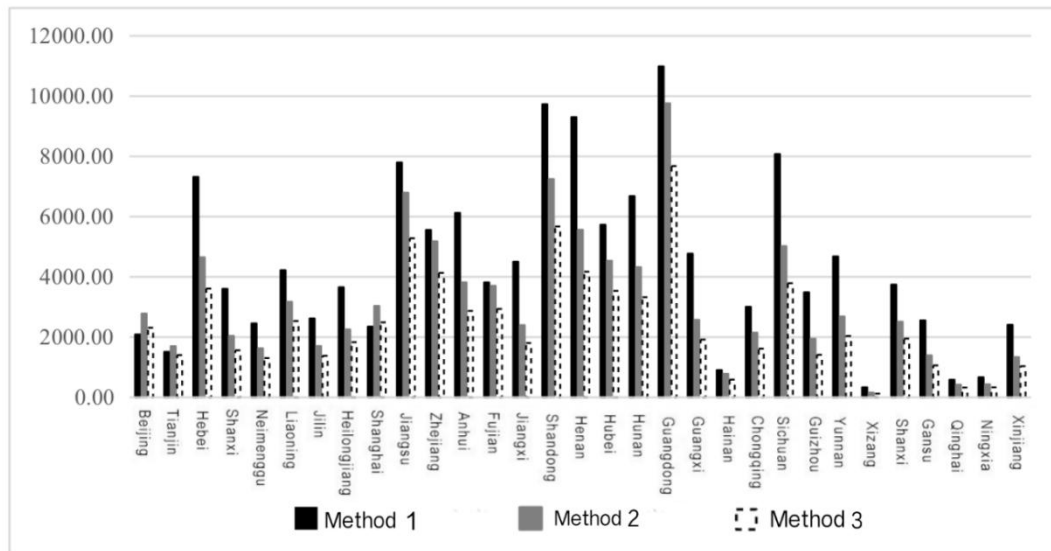
Food Poverty Line for Urban and Rural Residents in 2018 (Yuan)

Figure 7

From Method 1 to Method 3, the ratio of national basic income cost to GDP gradually decreased, at 8.8%, 6.07% and 4.72%, respectively. The more developed the economy

is, the more abundant the government is and the smaller the financial burden. For example, Beijing, Shanghai, Jiangsu, Zhejiang and other wealthy provinces and municipalities have less than 5%, while Qinghai, Gansu, Yunnan, Hainan and other regions have a heavy financial burden.

- Scenario 2: Based on the comprehensive poverty line:



Cost of universal Basic income for all provinces and Municipalities based on the comprehensive poverty Line in 2018 (100 million Yuan)

Figure 8

(Data source: Using the 2015 China Family Finance Survey (CHFS) data, the data has the advantages of large sample size, wide representativeness and detailed data classification, which can ensure the accuracy of calculation. At the same time, the food poverty line of China Statistical Yearbook was calculated for urban and rural residents of provinces and municipalities.)

From Method 1 to Method 3, the ratio of the national basic income cost to GDP was 15.01%, 10.6% and 8.23%, respectively. Economically underdeveloped areas such as Heilongjiang, Hainan, Yunnan, Gansu, and Qinghai have the largest proportion of basic income costs to GDP, Hebei and Liaoning provinces have a heavy financial burden, and eastern regions such as Beijing, Shanghai, Jiangsu and Zhejiang have a light financial burden.

#### 4.4.4 Feasibility analysis of national basic income:

Under the condition of tax neutral income, the funds raised through replacing existing social security projects, economic growth, tax adjustment and other channels are less than 1.72 trillion yuan, which can only cover 40.47% of the cost of the policy 3 under the food poverty line. Considering that China is in a critical period of economic transformation, the national basic income policy is not realistic and operable in the short and medium term.

#### **4.4.5 Policy recommendations**

- A lot of experiments still required: The universal basic income policy is a systematic project that requires much discussion, research and trial and error. China should form multiple sets of theoretical schemes after publicity and discussion, and conduct investigation and experiment to solve the practical problems in policy implementation.
- Overall planning of the central government: Due to the differences in regional development, different financial capacity to implement the basic income of the whole people, so the central government needs to make overall planning to ensure the fair and effective operation of the policies. In the process of implementation, it is necessary to comprehensively consider the cost calculation, financial burden, regional differences and other factors to balance the efficiency and fairness of the central financial transfer payments.

Although the conditions for China to implement the unconditional basic income policy are not sufficient, this theory is the focus of international research, and the social problems and challenges faced by some countries need to be resolved by new social policies and welfare systems. China also faces similar problems and special problems such as unbalanced development, inadequate development and uncertain risks. Therefore, some scholars suggest that China can carry out the pilot project of unconditional basic income in a small scope, sum up the experience, and carry out theoretical and policy research suitable for China, so as to serve the grand goal of common prosperity.

### **Conclusion**

The first part is about the current study condition of Dibao policy. We focus on the poverty reduction effectiveness in the whole country and in the rural areas, existing issues, and the relationship with targeted poverty alleviation. There are two importance: The first one is that we find that it is not possible to generalize the effects of poverty reduction across all regions of China. Some literature indicates that the Dibao policy still has a significant poverty reduction effect for some regions, while other literature concludes that the poverty reduction effect is not ideal for some other regions and we provide four concrete regions examples to demonstrate the conclusion. The second one is we summary the main problems about current Dibao policy. From Dibao receivers, welfare dependency phenomenon and stigmatization of Dibao policy is severe. From Dibao implementers, the professional competence of grassroots workers is not high enough, and the team dynamic management mechanism is not well-developed. The policy also has its own weaknesses, for example, the Dibao standards are difficult to adjust reasonably (or the problem of excessive standard restriction), and it may lead to income underreporting, Dibao fraud and so on. These are all urgent problems that need to be addressed.

Targeted poverty alleviation in China, introduced by Xi Jinping in 2013, is a strategy focused on precise identification, policy implementation, management, and assessment to lift people out of poverty sustainably. This approach complements the rural low-income insurance system (Dibao) by addressing long-term poverty rather than just short-term financial needs. Examples from County A and County B in 2020 highlight the strategy's success in infrastructure development, industrial support, education, healthcare, and housing. Following the eradication of extreme poverty, China has shifted focus to rural revitalization, implementing measures to prevent a relapse into poverty and ensuring sustainable rural development.

UBI is consistent with communism in terms of "from each according to his ability", alleviating exploitation, eliminating alienated labor, "to each according to his needs", and achieving "communist ownership". Chinese scholars have discussed various research results on the national basic income, from theoretical origin to practical exploration to the design of transitional system. Although the national basic income plan faces many challenges in the implementation process, such as the source of funds, tax issues, and the impact on employment, the different hypothetical plans proposed by Chinese scholars, as a gradual transition plan, provides useful ideas for the reform of the social security system. In the construction of the social security system, China can learn from the basic income theory and combine its own national conditions with exploring appropriate development paths, so as to achieve the goals of social equity, poverty reduction and promoting economic development.

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